Share of FII's in Stock Market

2224. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) what is the share of FIIs in the Indian stock market, *vis-a-vis* the share of commercial banks;

(b) whether it is a fact that the 5 per cent limit imposed on the banks on their participation in equities is hindering their increased exposure;

(c) if so, the details in this regard;

(d) whether Government have considering to enhance the limit to facilitate greater participation of banks in stock markets; and

(e) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Securities and Exchange Board of India (SEBI) has informed that as per the latest data available, average monthly turnover of FIIs for the financial year 2004-05 contributed up to the extent of about 10% of the total market turnover of the National Stock Exchange (NSE) and Stock Exchange. Mumbai (BSE) taken together. The value of assets under management at market price of all the FIIs as on January 31, 2005 was Rs. 221968 crore or 13% of the BSE market capitalisation.

The Reserve Bank of India (RBI) has informed that in terms of the existing guidelines, banks' aggregate exposure to the capital market in all forms (both funded and non-funded)should not exceed 5% of their total outstanding advances (including Commercial Paper) as on March 31 of the previous year. The details of the banks' exposure to capital market as on September 30,2004 as a percentage to their total advances are given in the following table.

Category	Total CME (Rs. in crore)	CME as % of advances
(a) Public Sector Bank's (27)	8,557.88	1.28
(b) Old Private Banks (20)	566.96	0.97
(c) New Private Banks (10)	4,387.18	3.54
(d) Foreign Banks (31)	506.50	0.76
Total	14,018.52	1.53

From the above table, it may be seen that the exposure of all banks to capital market worked out to 1.53 per cent of their total advances as against 5 per cent ceiling prescribed by RBI. Therefore, enough headroom is available for banks' taking further exposure to capital market.

(d) and (e) In the Union Budget 2004-05, it was announced by the Government that the banks having sound internal control and better risk management systems would be allowed higher capital market exposure limit. Keeping in view the spirit of the announcement, the procedure for banks' calculation of Capital Market Exposure (CME) has been revised resulting in higher headroom. Accordingly, the banks that made specific request to the RBI for higher CME, have been permitted to recomput their exposure after netting cash margins taken for loans and advances against shares and excluding equity stake in financial markets infrastructure companies. Subsequent to this relaxation, so far only one bank has been permitted higher capital market exposure limit beyond 5 per cent.

Reduction of Interest Burden of States

2225. DR. AKHILESH DAS: Will the Minister of FINANCE be pleased to state:

(a) whether in order to curtail the interest burden on State Governments, the Central Government have decided to pass the loans extended by multilateral agencies like the World Bank and ADB to the States;

(b) the present interest burden on Uttar Pradesh and other State Governments and how far this decision is likely to reduce their interest burden; and

(c) what other suggestions have been made by the State Governments and approved by the Central to help relieve the debt burden?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Government of India has decided to transfer external assistance from multilateral and bilateral agencies for State projects on back to back basis, accepting this recommendation of Twelfth Finance Commission (TFC).

(b) Government of Uttar Pradesh budgeted to pay Rs. 11477 crore as interest during 2004-05. Interest payments budgeted for 2004-05 by all States is in the Statement. (See below). The decision to pass on external assistance on back to back basis is likely to reduce interest burden on States.